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C O N F I D E N T I A L SECTION 01 OF 02 LA PAZ 001645

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PASS TO USAID/LAC

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SUBJECT: A/S SHANNON MEETINGS WITH SANTA CRUZ LEADERS

Classified By: DCM Krishna R. Urs for reason 1.4 b and d.

11. (C) Summary: Assistant Secretary for Western Hemisphere Affairs Thomas Shannon met separately July 23 with Santa Cruz Prefect Ruben Costas and with a group of ten private business leaders. Costas and the businessmen briefed Shannon on the history of the autonomy movements in Bolivia's Eastern "Media Luna" Departments, urged ATPDEA renewal, asked the U.S. to continue supporting Bolivia through USAID and counternarcotics assistance, and requested USG help spreading information about what is happening in Bolivia through the international community. Costas said he is actively campaigning to remain in office through the August 10 revoking referendum, which he does not believe will change anything. The only solution to the current political crisis will be a national pact where both sides make concessions, but the government and opposition have not come to that yet. A/S Shannon assured Costas and the other leaders that the USG is committed to Bolivia, and pointed out that the opposition has many strengths that can help resolve the situation peacefully. End summary.

12. (C) Costas was accompanied by Bolivia's leading constitutional lawyer and drafter of the Santa Cruz Autonomy Statute, Juan Carlos Urenda, and by the Prefecture's General Secretary, Roly Aguilera. Costas took a very diplomatic and reasonable tone, explaining how the wide support throughout Bolivia for Evo Morales when Morales entered the presidency had eroded. "What we need," said Costas, "is a government that respects the rule of law and democratic institutions. But what we have is an authoritarian government that wants to impose its views at the cost of democracy." Urenda added that the new draft constitution was supposed to incorporate regional autonomy, but when the Morales government forced through its own draft without details on autonomy, the logical step was for those regions that had voted for autonomy to enact their own autonomy statutes. The Central Government's refusal to recognize the results of the autonomy referenda has resulted in confrontation, and the international community could help by persuading Morales to

recognize those votes.

13. (C) Costas told A/S Shannon that in spite of the unequal rules for the upcoming August 10 revoking referendum, which favors MAS prefects, he is certain the prefects in the four "autonomous" departments (Santa Cruz, Tarija, Beni, and Pando) will remain in office. He noted that the Morales government had destroyed the once-respected National Electoral Court and that fraud was expected. In any case, the referendum was a smokescreen that would not resolve the real problems of fuel shortages, inflation, and poverty. The only solution to the current political impasse was a true dialogue that would result in a national pact, in which the old right would give up its privileged position and stop talking about a possible coup d'etat, everyone would stop racist rhetoric, and the government would cede its extreme leftist policies. The question is whether the Morales government will ever agree to give way on its radical agenda.

Please Renew ATPDEA

14. (C) A/S Shannon told both Costas and the business leaders that the U.S. had important decisions to make: whether to certify that Bolivia was cooperating in the fight against narcotrafficking and whether to support ATPDEA renewal. President of the Santa Cruz Chamber of Commerce (CAINCO) Eduardo Paz argued strongly in favor of extending ATPDEA. He said that although the trade preferences mostly benefit maquiladoras in El Alto, i.e. supporters of President

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Morales, the workers relied on production for exportation that answered market demands, all principles that CAINCO espouses. Today's political opponents were in reality natural allies in the fight to preserve a free market system.

Costas also argued in favor of ATPDEA renewal as necessary for stability and to prevent a rush on Santa Cruz land by disenfranchised altiplano workers.

Counternarcotics Certification

15. (C) Guido Nayar, the President of the Santa Cruz Cattle Ranchers' Federation and formerly minister of government under the Banzer administration that employed tactics such as forced eradication, talked in length about Bolivia's narcotrafficking problem. He berated Morales' pro-coca policies, which have resulted in record coca cultivation and a burgeoning drug trade which is becoming more open and less shameful each day. His bottom line was that the U.S. should not abandon Bolivia, because the current government cannot handle the problem on its own, and future governments would have an even bigger mess to clean up.

The Role of Venezuela

16. (C) All the interlocutors are appalled at the role Venezuelan President Hugo Chavez is playing in Bolivia. Costas theorized that Chavez is encouraging Morales to "eliminate the competition," i.e. non-Venezuelan sources of foreign aid. He said that international organizations are playing the role of international observers who understand what is really happening in the country. The opposition feels dwarfed by the government's propoganda machine, both inside Bolivia and in the international arena, and would like the USG to help spread accurate information about Bolivia to other international players. Costas added that Bolivia, unlike Venezuela, is not loaded with petrodollars and cannot afford to lose the foreign assistance provided by USAID and others. Costas also expressed doubt that all of the money in the "Evo delivers, Bolivia changes" campaign was truly Venezuelan, but that it might be a front for narcodollars. Costas reassured A/S Shannon that "In this part of Bolivia, there is respect and affection for your country. We feel

gratitude for your assistance." The business leaders later echoed that sentiment. A/S Shannon assured them that the U.S. values its relationship with Bolivia.

17. (U) U/S Shannon cleared this cable.  
GOLDBERG